



State Council of
Higher Education for Virginia

Presentation to the Higher Education Advisory Committee

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Student Loan Debt

Name	Percent of graduates with debt	Average debt of graduates
1 New Hampshire	74.0%	31,048
2 Maine	68.0%	29,983
3 Iowa	72.0%	29,598
4 Minnesota	71.0%	29,058
5 Pennsylvania	70.0%	28,599
6 Vermont	66.0%	28,391
7 Ohio	68.0%	27,713
8 Indiana	62.0%	27,001
9 Rhode Island	67.0%	26,340
10 New York	61.0%	26,271
17 District of Columbia	54.0%	24,191
24 Virginia	58.0%	23,327
33 Maryland	54.0%	21,750
38 North Carolina	53.0%	20,959
42 Tennessee	46.0%	19,957
43 Kentucky	58.0%	19,375
44 Georgia	55.0%	18,888

Average student loan debt for the Class of 2010 for all 4-year public and private non-profit institutions.

Virginia public institutions averaged \$21,495 and ranked 26th.

Student Affordability

- The number of students demonstrating financial need is growing while family ability to pay for college has declined:
 - 27.0 percent increase in number of students demonstrating need under the Partnership Model between FY11 and FY12 (using FY09 and FY10 data files)
 - Average EFC declined 8.6 percent between FY09 and FY10

Factors Driving Financial Need

Economy Driven

- From 2007-08 to 2011-12, there was a **59.9%** increase in Virginia residents completing the FAFSA
- Some are new enrollments, many are returning students recognizing increased need for aid due to increased unemployment or underemployment

Increased Costs

- From 2007-08 to 2011-12, tuition & fees at Virginia public institutions went up **35.5%**

Strain on State Aid Funds

Percent of VSFAP Funded By Year

2006-07	55.5%
2007-08	60.5%
2008-09	60.5%
2009-10	60.9%
2010-11	54.9%
2011-12	47.8%
2012-13	41.4%

State Financial Aid - Public Institutions

- General Fund –
 - Program 108 and other state funded programs
 - State funded programs – undergrad/graduate – total in excess of **\$153 million** for 2010-11.
- Unfunded programs
 - Tuition waivers and Unfunded Scholarships
 - In 2010-11, totaled in excess of **\$183 million**

Unfunded Programs – Partial List

- Some waivers are permissible
 - Unfunded Scholarship - \$72.5 million
 - Academic Common Market - \$5 million
 - Special Arrangement Contracts - \$5.5 million
 - Other waivers - \$10.5 million
- Other waivers are mandated
 - Tuition differential for military families - \$47.5 million
 - Tuition waiver for senior citizens - \$2 million
 - Tuition waiver for dependents of certain military veterans and first responders - \$4.8 million
 - Tuition differential based on geographic criteria - \$2 million (i.e. within 30 miles of VCCS institution)

Definition of Low/Middle Income

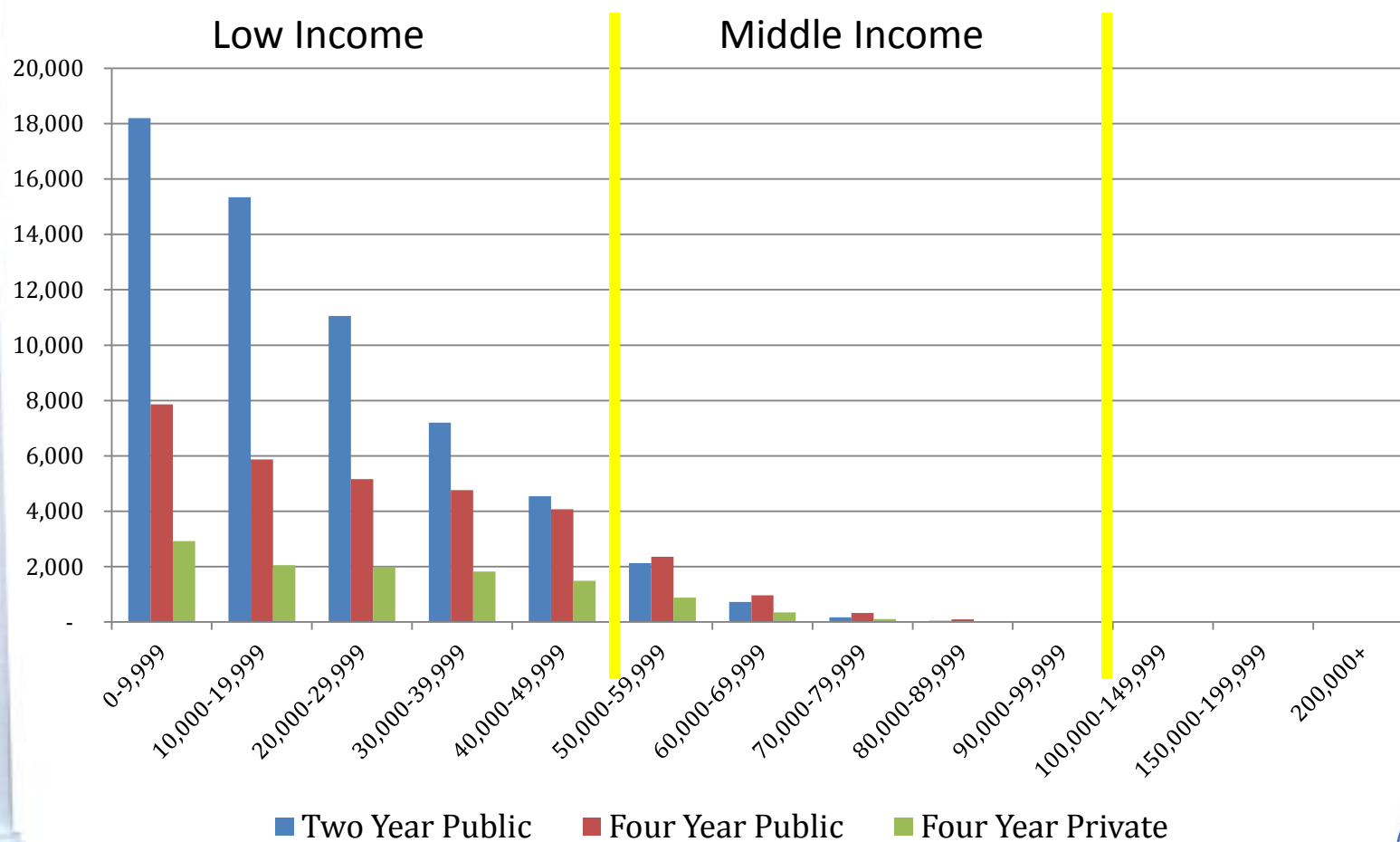
Definition is expressed as a percent of poverty. Examples:

	<u>Family of 4</u>	<u>Family of 6</u>	<u>Family of 8</u>
100%	\$22,350	\$29,990	\$37,630
200%	\$44,700	\$59,980	\$75,260
400%	\$78,225	\$104,965	\$131,705

Distribution of Financial Aid

Federal Pell Grant

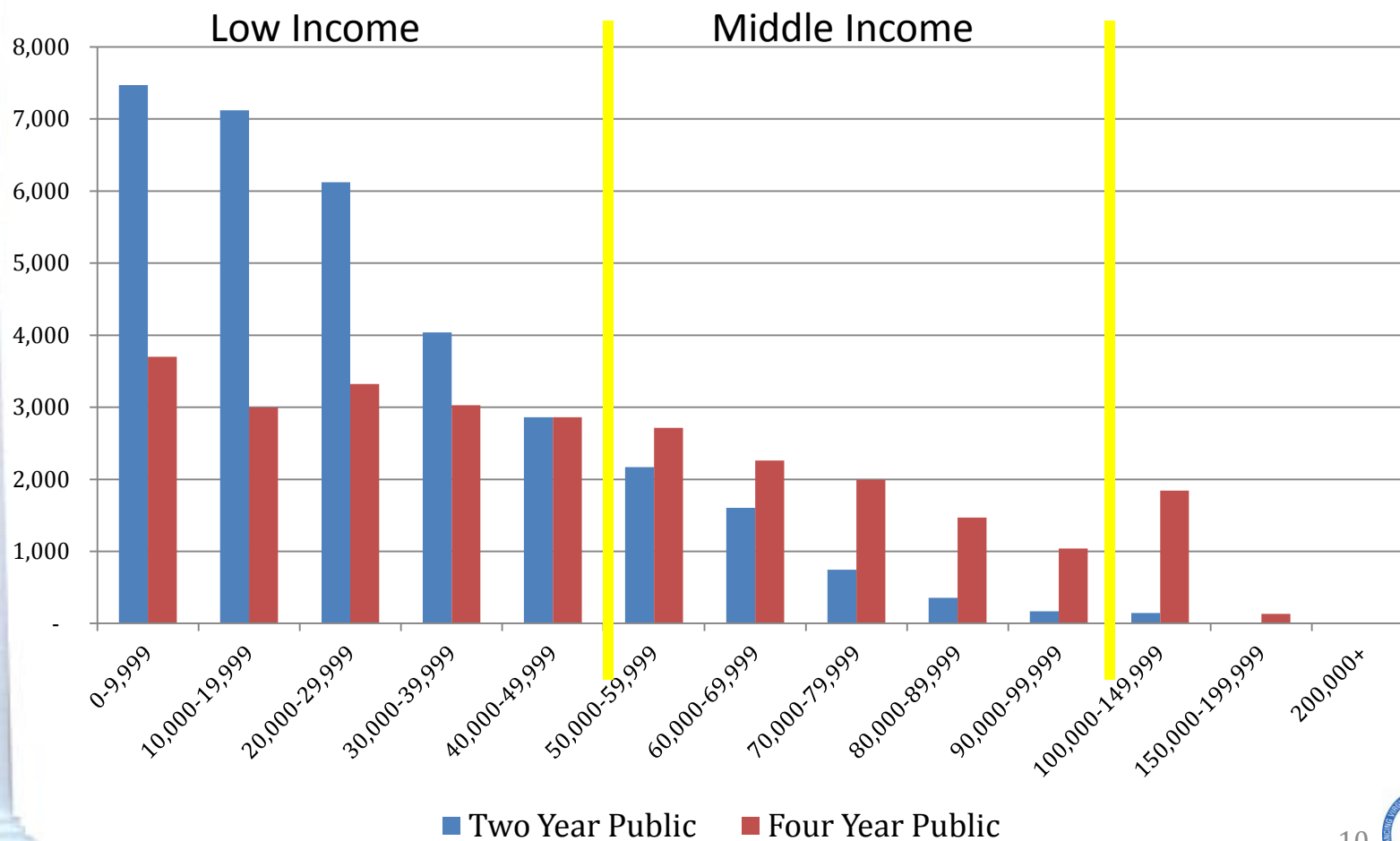
2009-10 recipients by income range



Distribution of Financial Aid

Virginia Student Financial Assistance

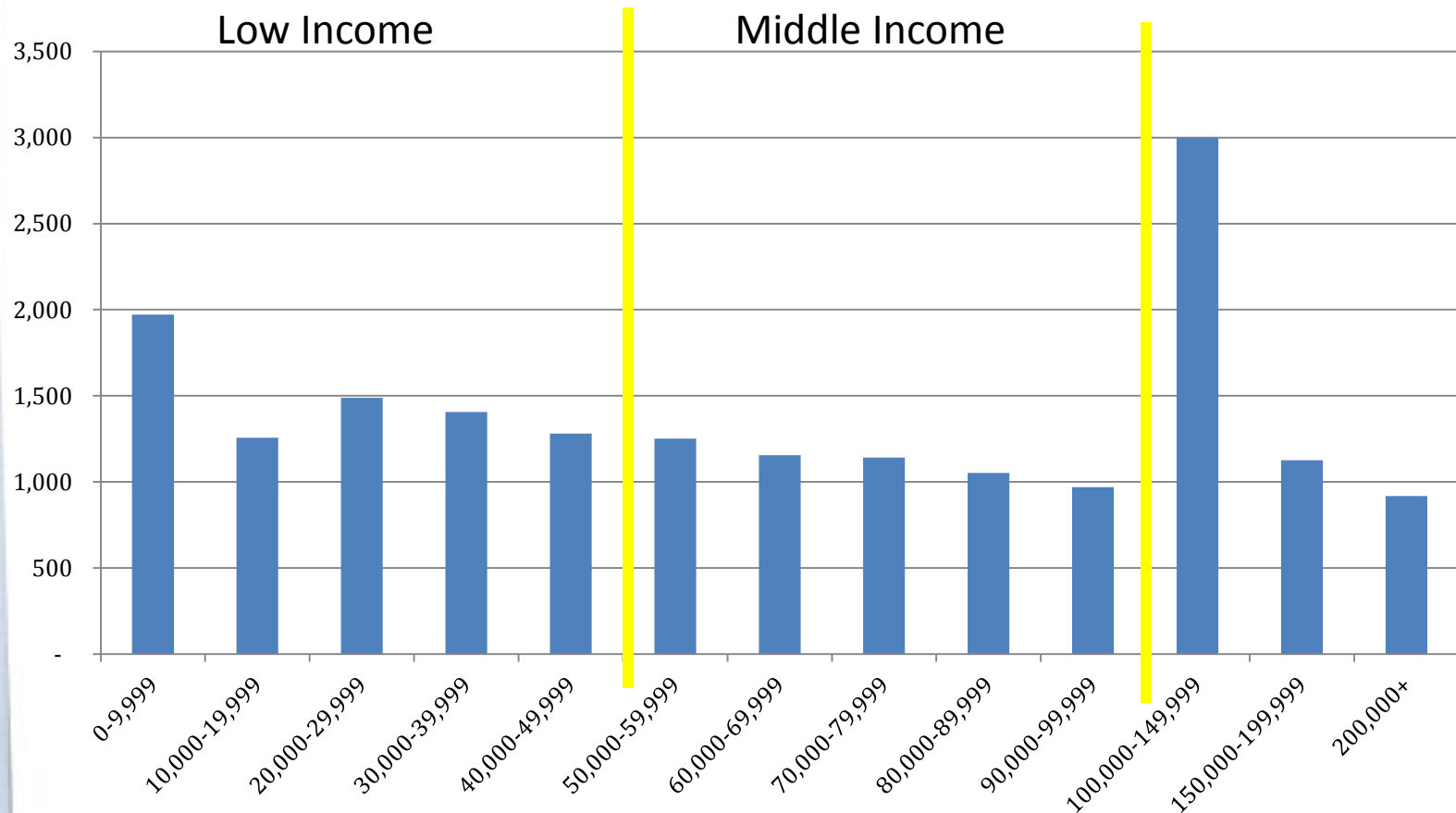
2009-10 recipients by income range



Distribution of Financial Aid

Virginia Tuition Assistance Grant Program

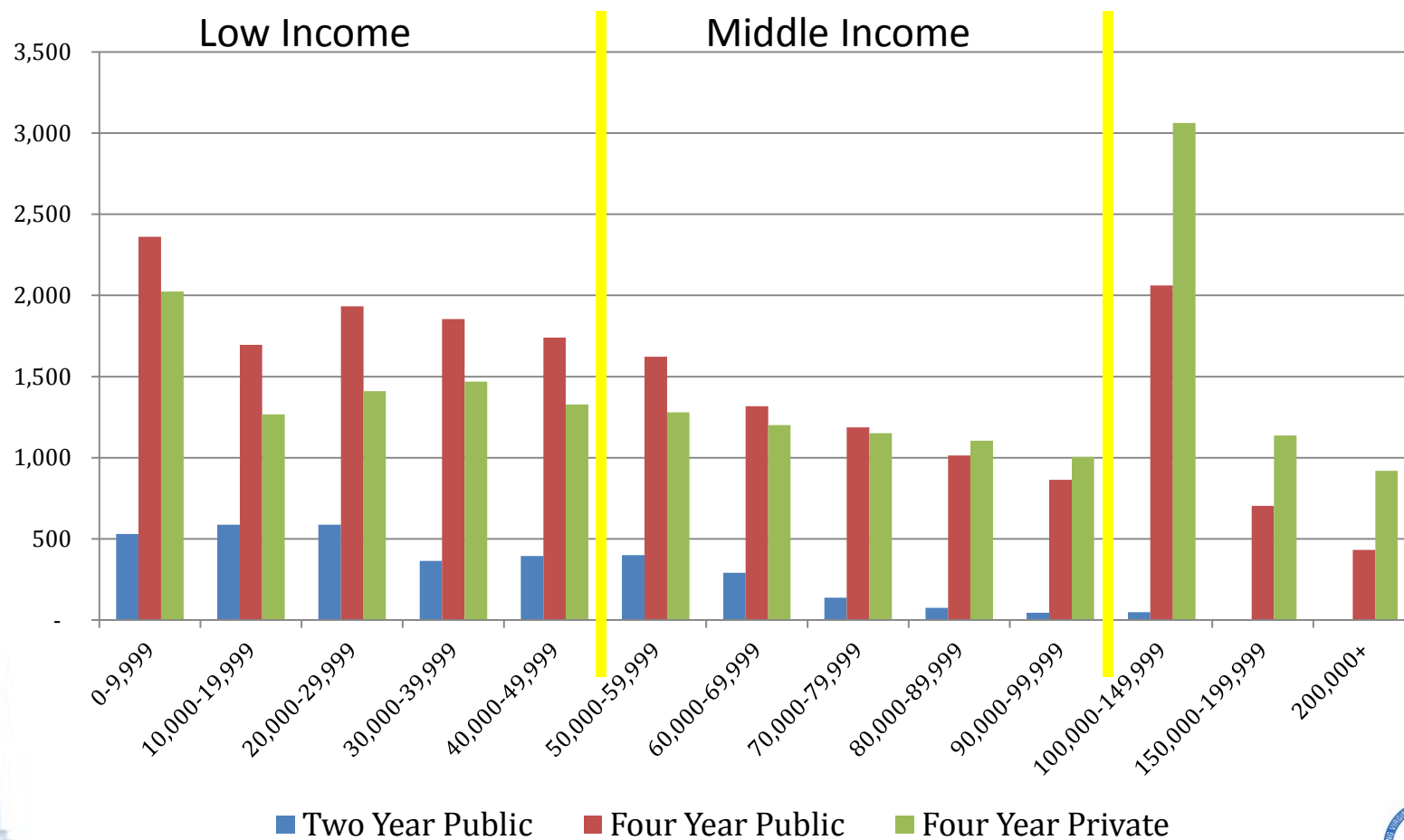
2009-10 recipients by income range



Distribution of Financial Aid

Institutional Aid and Tuition Waivers

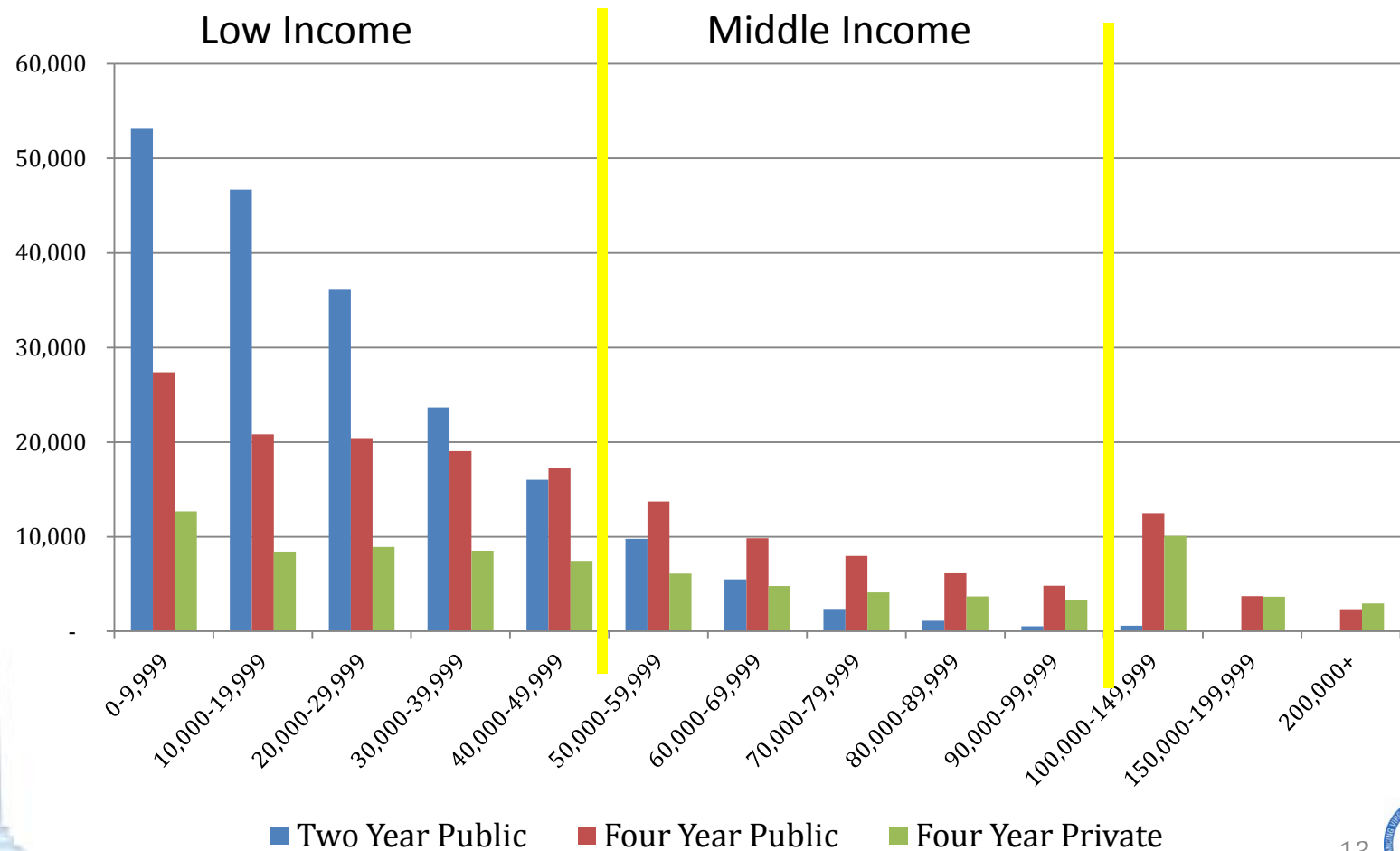
2009-10 recipients by income range



Distribution of Financial Aid

Distribution of All Grant Aid

2009-10 recipients by income range



Tuition-Generated Student Financial Aid

The Commonwealth's Evolving Policy

- 1936, legislation establishes “**unfunded scholarships**” in the Code of Virginia. The program authorizes institutions, within prescribed limits, to provide student scholarships to be applied exclusively to the remission of “instructional charges” (later modified to “tuition and required fees”).
- 1991, the first time the **Student Financial Assistance appropriation** for an institution included **support from other than the general fund**. The UVA appropriation included \$1.5 million from Higher Education Operating funds (tuition revenue) for student financial assistance.
- 1999, Appropriation Act includes language directing institutions to absorb cost of “discretionary waivers.” *“It is the intent of the General Assembly that, effective July 1, 2000, any institution of higher education granting new **tuition waivers to in-state or out-of-state students not authorized by the Code of Virginia must absorb the cost of any discretionary waivers.**”*

Tuition-Generated Student Financial Aid

The Commonwealth's Evolving Policy

- 2007, the General Assembly established the Higher Education Tuition Incentive Fund. A total of \$7.2 million in general fund was authorized to institutions that limited the increase of tuition and mandatory E&G fees for in-state undergraduate students to no more than 6% for the 2007-08 academic year. **Institutions were given authority to exceed the 6% limit (up to the tuition increase rates in their six-year plans) if the additional revenue is used solely to increase student financial aid for in-state undergraduates.**
- 2008, the General Assembly continued the incentive fund concept with the Higher Education Tuition Moderation Incentive Fund. A total of \$17.5 million in general fund was authorized for institutions that voluntarily limited the increase of tuition and mandatory E&G fees to no more than 4% (3% for E&G operations **and 1% for student financial aid**) in each year of the 2009-10 biennium.

Tuition-Generated Student Financial Aid

The Commonwealth's Evolving Policy

- 2009, The State Council of Higher Education, recognizing that tuition increases at Virginia's public colleges and universities would be necessary to offset general fund budget reductions, **recommended that institutions be required to dedicate between 5% and 30% of tuition increases (depending on each institution's circumstances) to need-based financial aid for in-state students.** This range was based on practices in other states at the time.
- 2011, The Virginia Higher Education Opportunity Act of 2011 ("Top Jobs Act" or "TJ21") required the governing board of each public institution of higher education to develop and adopt a six-year plan. A part of the six-year plan requirement was the inclusion of **"plans for providing financial aid to help mitigate the impact of tuition and fee increases on low-income and middle-income students and their families..."**

Tuition-Generated Student Financial Aid

The Commonwealth's Evolving Policy

- 2011, SCHEV made the following observation: “For several years, colleges and university have set aside a portion of general tuition revenue to be used for student financial aid. Based on the institutions’ six-year plan meetings, it appears that **colleges and universities increasingly are turning to tuition revenue to help address their financial aid needs**. This is a significant policy issue that needs additional analysis. SCHEV recommends that the Governor and the General Assembly establish a means by which SCHEV and the colleges and universities can **assess the extent of the practice; evaluate its effectiveness; and establish criteria for a fair and equitable allocation of resources.**”

Tuition-Generated Student Financial Aid

The Commonwealth's Evolving Policy

2011, Governor's 2012-14 Introduced Budget Language: "The amount of **tuition and fee revenue generated from in-state students that is used to support financial aid shall remain at the levels appropriated** for this purpose in the 2012-14 biennium. The **Higher Education Advisory Committee shall evaluate** the appropriate use of tuition and fee revenue generated from in-state students that is used to support financial aid with the goal of enhancing affordability for low-income and middle-income students and their families."

Six-Year Plans

§ 23-38.87:15. Need-based financial aid.

Each institution shall include in its six-year plan required by § 23-38.87:17 an **institutional student financial aid commitment** that, in conjunction with general funds appropriated for that purpose, **provides assistance to students from both low-income and middle-income families.** Each institution's six-year plan required by § 23-38.87:17 shall take into account the information and recommendations resulting from the review of federal and state financial aid programs and institutional practices conducted pursuant to subdivisions B 2 and C 1 of § 23-38.87:20. The definitions of "low-income family" and "middle-income family" shall be developed and reviewed pursuant to subdivision B 2 of § 23-38.87:20.

Six-Year Plans

§ 23-38.87:17. Institutional six-year plans.

D.2. **Plans for providing financial aid to help mitigate the impact of tuition and fee increases on low-income and middle-income students** and their families as described in § 23-38.87:15, **including the projected mix of grants and loans;**

Six-Year Plans

- Institutions report usage of tuition/fee revenue for financial aid on their six-year plans.
 - Plans submitted in 2011 provided the following:
 - Gross tuition and fee revenue
 - T/F Revenue for financial aid source by in-state and out-of-state students
 - T/F revenue for financial aid distribution by in-state and out-of-state students
 - Some were incomplete due to difficulty in tracking how dollars flow from the tuition source to a financial aid recipient
 - Most institutions reported that out-of-state students were subsidizing funds distributed to in-state students

Tuition & Fee Revenue for Financial Aid

- Non General Fund – Program 108
 - Tuition and Fee Revenue generated by the institution and used for student financial aid.
 - These are referred to as “institutional programs”
 - For 2010-11, totaled over **\$53 million**

Tuition & Fee Revenue for Financial Aid

	2009-10	2010-11	2011-12			
	NGF for Fin. Aid	NGF for Fin. Aid	NGF for Fin. Aid	Revenue is from E&G or Financial Aid Appropriations	Total T&F Revenue	% Aid to Total
GMU	\$3,150,000	\$3,720,000	\$3,750,000	Program 108	\$260,884,706	1.4%
ODU	\$3,158,004	\$3,689,544	\$4,689,544	E&G	\$115,677,536	4.1%
UVA	\$14,655,050	\$10,660,000	\$25,079,000	Program 108	\$373,897,000	6.7%
VCU	\$3,750,000	\$12,050,000	\$8,050,000	\$3.78m in E&G, \$4.3m in pgm108	\$281,612,371	2.9%
VT	\$5,032,132	\$6,078,756	\$7,275,584	E&G	\$340,607,776	2.1%
CWM	\$1,760,000	\$3,100,000	\$3,413,791	Program 108	\$105,557,062	3.2%
CNU	\$427,500	\$450,000	\$450,000	in both E&G and 108 programs	\$29,189,650	1.5%
UVA-W	\$35,000	\$35,000	\$50,000	E&G	\$7,454,689	0.7%
JMU	\$2,470,406	\$2,966,802	\$3,271,137	Program 108	\$167,289,524	2.0%
LU	\$851,055	\$976,033	\$1,106,711	E&G	\$28,361,163	3.9%
UMW	\$475,000	\$625,000	\$725,000	E&G	\$38,515,000	1.9%
NSU	\$1,735,049	\$1,298,005	\$1,298,005	E&G	\$31,656,964	4.1%
RU	\$1,365,434	\$1,907,471	\$1,907,471	Program 108	\$55,280,939	3.5%
VMI	\$57,066	\$60,926	\$80,000	in both E&G and 108 programs	\$24,001,000	0.3%
VSU	\$623,000	\$1,503,928	\$2,144,249	Program 108	\$40,833,336	5.3%
RBC	\$40,000	\$50,000	\$60,000	E&G	\$4,150,000	1.4%
VCCS	\$6,393,188	\$4,073,156	\$4,100,000	\$2.6m in E&G, \$1.5m in pgm 108	\$503,698,562	0.8%
Total	\$45,977,884	\$53,244,621	\$67,450,492		\$2,408,667,278	2.8%

Tuition & Fee Revenue for Financial Aid

Institution	2012-13
GMU	\$8,491,000
ODU	\$0
UVA	\$59,400,000
VCU	\$8,050,000
VT	\$0
CWM	\$13,239,970
CNU	\$475,000
UVA-W	\$50,000
JMU	\$3,541,460
LU	\$0
UMW	\$750,000
NSU	\$4,900,000
RU	\$1,907,471
VMI	\$1,700,000
VSU	\$3,557,823
RBC	\$0
VCCS	\$5,838,954
Total	\$111,901,678

Note: Non General Fund appropriations generated from tuition revenue within program 108 as reported in the 2012 Act of Appropriation.

Federal Actions to Address Affordability

- Cost steps
 - Income Based Repayment option for federal loans
 - Retain student loan interest rates at 3.4%
 - Support the Pell grant maximum award
- Improve Process/Information
 - Simplification of the FAFSA
 - “Know before you owe” initiative to improve college award letters
 - Net Price Calculators now required

“Sticker Price” versus “Net Price”

Sticker Price	(Advertised cost)
less Financial Aid	(Grants and scholarships)
<u>Net Price</u>	(Cost to student)

Net Price can be covered by:

- Out-of-pocket and other gift aid
- Student loans and work-study (Considered “self help” forms of financial assistance)
- Other debt such as credit card or home equity
- Efficiencies and lifestyle choices

Net Price

- Required of all colleges participating in federal financial aid.
- Some are using institutional calculators others are using the College Board.
- Sample:
 - Accessing through VCU
 - Using College Board calculator
 - Family of 4, 1 in college
 - AGI \$80,000
 - About 30 questions primarily regarding family finances

Net Price

MY
NET PRICE

MY
RESOURCES

MY
NEXT STEPS

MY
INFORMATION

My Estimated Net Price for Academic Year 2011-12 is \$ 14,902

PRINT
summary



How did we calculate your net price? Your net price is the cost of attendance (estimated below) minus grants and scholarships (money you do not have to pay back) that you may receive.

Estimated Cost of Attendance ?

Tuition & Fees ?	\$	9,517
Room & Board ?	\$	9,997
Books & Supplies ?	\$	1,294
Transportation ?	\$	1,524
Personal Expenses ?	\$	2,370
Estimated Total Cost of Attendance	\$	24,702

Estimated Grant/Gift Aid ?

State Grant	\$	2,300
Institutional Grant	\$	7,500
Estimated Total Grant/Gift Aid	\$	9,800

ESTIMATED NET PRICE ? \$ **14,902**

Estimated Self Help ?

Student Loan	\$	8,300
Parent Loan	\$	6,602
Estimated Total Self Help	\$	14,902

ESTIMATED REMAINING COST ? \$ **0**



■ Grant Aid ■ Self Help ■ Remaining Cost

This chart shows the estimated share of money available to you from grant aid (money that does not have to be repaid) and self-help (money that you earn or borrow). The difference between your cost of attendance and these two sources of funds is the amount you will be responsible for paying. It is the estimated "Remaining Cost," and is the third slice of the pie.

NOTE:

The estimate provided using this net price calculator does not represent a final determination, or actual award, of financial assistance. The price of attendance and financial aid availability may change. This estimate shall not be binding on the Secretary of Education, this institution of higher education or the state in which this institution of higher education is located. Students must complete the Free Application for Federal Student Aid (FAFSA) in order to be eligible for, and receive, an actual financial aid award that includes federal grants, loans or work-study assistance. For more information on applying for federal student aid please go to www.fafsa.ed.gov.

Budget Deficit Issues

- 2011 Budget deal –
 - Year Round Pell Grant eliminated
 - Non-Pell discretionary funding was cut by \$1.251 billion compared to FY10, a 2.7% reduction
 - 47 programs reduced
 - 38 programs eliminated

2012 Changes

- To maintain Pell grant award amount
 - Subsidies on graduate student loans eliminated
 - Pell grant benefits reduced
 - “ability to benefit” students no longer eligible
 - Maximum usage reduced from 18 semesters to 12
- Maintain interest rate on subsidized student loans at 3.4% for one more year (approx. \$6 bill)
 - Further reductions on student loan subsidies

Growth of Pell Grant

- The cost of the Pell grant has nearly doubled since 2008-09, from \$18.3 billion to \$35.7 billion in expenditures.
- Factors affecting increase in cost of Pell grant:
 - Increasing number of students completing the FAFSA. FAFSA applications increased by nearly 30% between the two years.
 - Decrease in family financial resources during and in aftermath of the recent recession. Pell grant recipients increased by over 51% between the two years.
 - The grant increased from \$4,731 to \$5,550: Raising the maximum Pell grant increases the number of eligible students since it also increases the maximum EFC that would qualify for a Pell grant.
- President Obama has recommended to increase the Pell Grant to \$5,635 for the 2013-14 award year.

Sequestration

Sequestration scheduled for January 2, 2013

The Budget Control Act of 2011 (P.L. 112-25) established caps on discretionary spending over 10 years, resulting in \$1 trillion in cuts spread across defense and NDD programs. The law also directed a congressional Joint Select Committee on Deficit Reduction to identify an additional \$1.2 trillion in budgetary savings over ten years. The failure of the bi-partisan “super committee” to come to an agreement on a deficit reduction plan triggered a “sequester.”

On-going confusion over what gets cut and by how much. Estimated to be approximately 8.4% across the board.